

**Board Meeting
September 22, 2009 – 10:00 a.m.
Conference Call**

Board Members Attending: Marty Connell, Acting Chairman
Jim Davison
Todd Graetz
Erik Somerfeld

Others Attending: Dave Desch, Executive Director
Jane Todd, Administrative Specialist

Introduction of New Board Member

Dave Desch introduced new member, Erik Somerfeld. Mr. Somerfeld gave a brief biography and stated he was born and raised in Power, Montana. After graduating from Montana Tech in Engineering Science, he returned to Power to farm and ranch in the area. He sits on the Board of Directors of Montana Farmers Union and the Montana Beef Council.

Executive Director's Report – Project Contracts

Dave Desch explained the Contract Status report, a compilation of the 20 projects funded by the Board in June and the requirements needed in order to execute the contracts. As of September 15, 2009, five contracts have been executed. There do not appear to be any serious problems with any of the grantees with regard to getting contracts executed.

I. Call to Order

Todd Graetz joined the meeting at 10:15 a.m. at which time Acting Chairman Marty Connell officially called the meeting to order.

II. Approve Board Minutes of June 30, 2009, Meeting

Jim Davison moved to approve the minutes of the June 30, 2009, Board meeting. Todd Graetz seconded the motion. No one opposed, the minutes were approved as presented.

III. Continuation of Project #09-57

Dave Desch presented a background on the situation with Sustainable Systems and explained the documents in the Board packet and the process undertaken to get to this point with the project. This is a two-year project with a total award of \$375,000 entered into on September 1, 2008. A disbursement of \$60,189 was made, of which \$24,083 remains.

- In spring 2009, Board staff was in contact with Sustainable Systems regarding concerns about the company's financial situation. The company provided a quarterly report accompanied by a letter describing its cash situation, liquidation of assets in conjunction with the Montana Department of Agriculture to make payments to growers, and efforts to restructure its operations.
- The Review Committee of the Board, after considering the information, requested Board staff to send the company a compliance letter asking for audited financial statements.

- The company responded, requesting that the Board accept unaudited financial statements, providing information concerning the parent company, and asking the Board to allow the company to proceed with the project.
- The Review Committee met again, considered the information and requested Board staff to ask the company to provide the unaudited financial statements and answer additional questions.
- In its response, the company described the company/parent company relationship, and provided unaudited financial statements as well as a SEC10Q for the parent company.
- The Review Committee again met and, after careful consideration of the company's response, came to the conclusion that the correct course of action was to recommend the Board discontinue the project due to the financial condition of the company.

The Board discussed the company's financial condition and its ability to complete the project.

Action: Jim Davison made the following motion: "After consideration of the company's responses to the compliance letter dated July 13, 2009, it is the decision of the Board to discontinue the project due to the company's financial condition". Erik Somerfeld seconded the motion. Without further discussion and all in favor, it was the decision of the Board to discontinue the project. Dave Desch will inform the company of the Board's decision. The company will be requested to return the unspent funds in the amount of \$24,083.

IV. Public Comment

Jim Davison stated that in regard to MBRCT Project #10-71 MADA SFRJ (Solid Fuel Ramjets) Technology Development Testing, a jet engine test project is scheduled to take place in Butte in mid October. Dave Desch will follow up and let the Board know when a date is firm.

Todd Graetz asked if there is any word on his Board appointment. Dave Desch stated that to his knowledge, the Speaker of the House has not made an appointment. Mr. Desch explained that Board members continue to serve until reappointed or replaced.

V. Adjourn

Jim Davison moved to adjourn the meeting; Todd Graetz seconded the motion. The meeting adjourned at 10:37 a.m.

Respectfully submitted,

Marty Connell
Acting Chairman